

Exhibit 1

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

- ☐ **ANNUAL REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended

OR

- ☒ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the ten month transition period ended December 29, 2001

Commission File Number 1-10228

Enterasys Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

04-2797263
*(I.R.S. Employer
Identification No.)*

**35 Industrial Way
Rochester, New Hampshire 03866
(603) 332-9400**

*(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)*

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy for information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of October 31, 2002, 201,996,247 shares of the Registrant's common stock were outstanding. The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant as of October 31, 2002 was approximately \$234 million (based upon the closing price for shares of the Registrant's common stock on the New York Stock Exchange on that date).

Explanatory Statement

We have restated our consolidated financial statements for the fiscal year ended March 3, 2001, the fiscal quarters within that fiscal year and the first three fiscal quarters within the ten month transition period ended December 29, 2001. On January 31, 2002, we discovered that a previously recognized \$4.0 million sale in our Asia Pacific region did not qualify for revenue recognition during the period in which we had originally reported the revenue. Also on January 31, 2002, we learned that the SEC had opened a formal order of investigation into the financial accounting and reporting practices of us and our affiliates. In response to these developments, our Board of Directors formed a Special Committee to conduct an internal review into our financial accounting and reporting for the fiscal year ended March 3, 2001 and the ten-month transition period ended December 29, 2001, which the Special Committee has recently completed. The Special Committee appointed the law firm of Ropes & Gray to conduct the internal review, and Ropes & Gray hired the forensic accounting group of Deloitte & Touche LLP to assist with the internal review. The principal adjustments to restate the financial statements relate primarily to sales/investment transactions, relationships with Asia Pacific and Latin American distributors, pricing allowances and return rights, and are discussed in more detail in notes 2 and 30 to our consolidated financial statements included in this transition report on Form 10-K.

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ENTERASYS NETWORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Ten months ended December 29, 2001 and years ended March 3, 2001 (restated) and February 29, 2000

30. Quarterly Financial Data (Unaudited)

The effect of the restatements described in Note 2 on the individual quarters of the ten-month period ended December 29, 2001 and the fiscal year ended March 3, 2001 was as follows:

Ten Months Ended December 29, 2001				
As Restated				
	First Quarter Ended June 2, 2001	Second Quarter Ended September 1, 2001(1)	Third Quarter Ended September 29, 2001(1)	Fourth Quarter Ended December 29, 2001(2)
(In thousands, except per share amounts)				
Net revenue	\$185,005	\$ 156,936	\$ 161,158	\$ 143,734
Gross margin	\$86, 302	\$ 48,047	\$ 19,355	\$ 5,703
Income (loss) from continuing operations available to common shareholders	\$ 473	\$(157,438)	\$(183,194)	\$(309,381)
Loss from discontinued operations	\$(11,112)	\$(84,560)	\$(56,075)	\$ (4,004)
Net loss available to common shareholders(3)	\$ (2,898)	\$(241,998)	\$(239,269)	\$(318,334)
Basic and diluted loss per common share:				
Loss from continuing operations available to common shareholders	\$ 0.04	\$ (0.83)	\$ (0.95)	\$ (1.61)
Discontinued operations	\$ (0.06)	\$ (0.44)	\$ (0.29)	\$ (0.02)
Net loss available to common shareholders(3)	\$ (0.02)	\$ (1.27)	\$ (1.24)	\$ (1.65)
Fiscal Year Ended March 3, 2001				
As restated				
	First Quarter Ended June 3, 2000	Second Quarter Ended September 2, 2000	Third Quarter Ended December 2, 2000	Fourth Quarter Ended March 3, 2001
(In thousands, except per share amounts)				
Net revenue	\$219,742	\$ 200,436	\$178,227	\$ 185,300
Gross margin	\$87, 406	\$ 86,790	\$81, 114	\$ 81,893
Loss from continuing operations available to common shareholders	\$(33,028)	\$(125,905)	\$34, 618	\$(434,869)
Loss from discontinued operations	\$(14,193)	\$ (9,398)	\$13, 240	\$(39,475)
Net loss available to common shareholders	\$(47,221)	\$(135,303)	\$47, 858	\$(474,344)
Basic and diluted loss per common share:				
Loss from continuing operations available to common shareholders	\$ (0.18)	\$ (0.68)	\$ (0.17)	\$ (2.33)
Discontinued operations	\$ (0.08)	\$ (0.05)	\$ (0.10)	\$ (0.21)
Net loss available to common shareholders	\$ (0.26)	\$ (0.73)	\$ (0.27)	\$ (2.54)